

PUBLIC DISCLOSURE

June 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American National Bank of Texas
Charter Number 17043**

**102 West Moore Street
Terrell, Texas 75160**

**Office of the Comptroller of the Currency
500 N. Akard, Suite 1600
Dallas, Texas 75201**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **American National Bank of Texas** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 23, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

American National Bank of Texas (ANBT) demonstrates good lending practices. Within the context of local-area loan demand, the bank's asset size and financial condition, ANBT originates a significant volume of residential mortgage loans, small business loans, consumer loans, agriculture loans and commercial loans. ANBT conducts a substantial preponderance of its lending activity within the bank's assessment area. A review of residential mortgage loans, small business and consumer loans originated in 1996, reflects a good level of credit extensions to individuals of different income levels and businesses of different sizes. Our loan sample also reflects a geographic distribution of loans commensurate with the income characteristics of the census tracts and block numbering areas (BNA) that make up the assessment area.

The following table indicates the performance level of American National Bank of Texas, Terrell, Texas with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>AMERICAN NATIONAL BANK OF TEXAS</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No CRA complaints were received.		

DESCRIPTION OF INSTITUTION

American National Bank of Texas (ANBT) is a large community bank based in the north central Texas town of Terrell. As of March 31, 1997, ANBT reported total assets of \$507 million. ANBT is a wholly owned subsidiary of The ANB Corporation, a one bank holding company.

In addition to the main office, ANBT has 18 branch offices within the assessment area. The main office and a branch are located in Terrell. Other branches are located in Allen, Wylie, Rockwall, Kaufman, Forney, Crandall, Seagoville, Greenville and Wills Point. ANBT has supermarket branches located in Rockwall, Rowlett, Mesquite, Terrell and Gun Barrell City. Of their total branches, five are located in moderate income areas. They have a total of 18 propriety automated teller machines (ATMs). The ATMs are located at their branch locations.

The institution offers traditional loan and deposit products. Other activities include a trust department, mortgage banking operation, credit cards, merchant processing and brokerage services. ANBT's primary line of business is real estate secured lending. Also, they are heavily involved in consumer and commercial lending. As of March 31, 1997, gross loans totaled \$206 million. The loan portfolio is centered in real estate loans, which comprise 50% of total loans. Real estate loans are primarily comprised of commercial and residential real estate loans which total 24% and 21%, of the loan portfolio. ANBT sells the majority of qualifying residential mortgage loans to the secondary market. As such, the current balance of loans secured by 1-4 family residential properties reported does not fully disclose ANBT's volume of activity for this product. Consumer loans comprise 29% of the loan portfolio. Commercial and industrial loans comprise 15% of the loan portfolio.

ANBT is considered financially sound and there are no impediments which would hamper their ability to help meet the credit needs of its assessment area. On March 31, 1997, ANBT had total equity capital of \$36 million, net year to date income of \$1.5 million and a loan-to-deposit ratio of 63%.

ANBT's CRA performance was last evaluated as of September 11, 1995. At that time, ANBT's overall performance was rated "outstanding."

DESCRIPTION OF THE ASSESSMENT AREA

American National Bank of Texas Assessment Area															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Geographies		Families		Geographies		Families		Geographies		Families		Geographies		Families	
6	4%	2,857	1%	43	25%	49,141	21%	67	39%	94,478	40%	54	32%	90,199	38%

ANBT has identified an assessment area consisting of Kaufman, Rockwall, Collin, Hunt, Van Zandt and Henderson Counties, and a portion of Dallas County. Van Zandt, Henderson and Hunt Counties are not part of a Metropolitan Statistical Area (MSA) The other counties are part of the Dallas MSA. There are a total of 170 MSAs and BNAs in the assessment area. As noted in the table above, the assessment area is comprised of six low-income geographies, 43 moderate-income geographies, 67 middle income geographies and 54 upper income geographies. According to data compiled by the Attus Group, Inc., ANBT's assessment area had a population of 869,584 as of April 30, 1997.

According to 1990 U.S. Census data, the median family income for the Dallas MSA # 1920 is \$38,754. This is the income level used to determine the income level of the geographies in Dallas, Collin, Kaufman and Rockwall Counties. The median income for the non-MSA counties of Van Zandt, Henderson and Hunt is \$24,585.

The economic condition in the bank's assessment area is good and in certain high technology and communications industries is improving. Included in the Dallas MSA are the headquarters and major offices of many international, national and regional corporations. The unemployment rate is 3.8% compared to 5.4% for the State of Texas and 4.9% for the United States. ANBT's branches are located in "bedroom communities" and a majority of their customers drive to Dallas, various Dallas suburbs, Greenville or Tyler for employment. Located in cities served by ANBT's branches are numerous offices of major corporations, manufacturing companies, and many national retail outlets. Rockwall, Kaufman and Greenville are county seats and one of the largest employers in each branch town is the local independent school district. For the most part, the economic trends in the ANBT's assessment area coincides with conditions in the Dallas market.

Intense competition in the assessment area is provided by multi-national banks, regional banks, savings & loans, credit unions, insurance companies and brokerage houses. For residential mortgage loans, ANBT faces stiff competition from national and regional mortgage companies, which offer a wide array of special programs for low and moderate income individuals. The wide array of products and services offered by these institutions is heavily advertised on television, radio, newspaper, magazines, trade publications and billboards throughout the assessment area.

Community contacts we conducted during this evaluation, as well as those conducted by other federal banking regulators, included meetings with an attorney and civic leader in Allen, the city

manager of Wills Point, a leader of the National Association for the Advancement of Colored People in Athens and a real estate broker in Terrell. In speaking with the community contacts, it is clear that the assessment area is highly diverse. The most pressing need for the Allen area, as noted by the community contact, involves banks making loans to the rapidly growing Allen I.S.D. to build new facilities (science laboratories, dressing rooms, cafeterias) at various sites. The Wills Point community contact feels that area needs an emphasis on home improvement lending. The community contact in Henderson County feels the need for affordable housing and student loans is most important. The community contact in Terrell states the need for all types of housing as the most pressing need for that city.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOANS-TO-DEPOSITS

ANBT's lending levels exceed similarly situated banks and is commensurate with its size, competition, available resources and the nature of its lending activities as well as the demographics of the assessment area. The bank's loan to deposit ratio averaged 61% over the seven quarters since the previous CRA examination conducted 9/11/95. These ratios are above or slightly below other banks operating in and around the same assessment area, whose loan-to-deposit ratios range from 33% to 72% over the last seven quarters. The ratio is reflective of the conservative underwriting standards adhered to by the Board of Directors and senior management of the bank.

ASSESSMENT AREA CONCENTRATION

ANBT has collected and reported loan data for home mortgage, consumer, agriculture and commercial loan originations in 1996. Consumer loans include loans secured by motor vehicles, other secured loans and other unsecured loans. Loan data for home mortgage loan originations in 1996 was obtained from the HMDA register and the Attus Group Report. We verified the accuracy of the reported data through the review of limited samples.

Based on bank prepared reports, ANBT originated 6,972 real estate, consumer, agriculture and commercial loans totaling approximately \$106 million in 1996. Of the 6,972 total loan originations, ninety three percent (93%) were made within ANBT's assessment area. Of the \$106 million of originations, ninety one percent (91%) were made within ANBT's assessment area. The low number of agriculture loans reported is reflective of the minimal number of farms located in the assessment area. The table on the following page illustrates the volume of originations and their location relative to the assessment area by loan product.

Volume of Loan Originations Within the Assessment Area By Loan Product						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000s)	#	%	\$ (000s)	%
Real Estate	1,293	33,144	1,219	94%	29,316	88%
Consumer	4,317	31,363	4,007	93%	28,691	91%
Agriculture	235	4,218	218	93%	3,992	95%
Commercial	1,127	37,410	1,014	90%	34,062	91%
TOTALS	6,972	106,136	6,458	93%	96,061	91%

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

The bank engages the Attus Group to perform an analysis of its loans to borrowers of different income levels. The reports show the bank does an outstanding job of loaning to borrowers of different income levels. The report shows that the bank does not make a disproportionate amount of loans to individuals in the middle or upper income levels in light of the bank's assessment area.

Distribution of Residential Mortgage Loans By Applicant Income			
Applicant Income	1996		
	\$(000)	#	% of Total #
Low	197	20	2%
Moderate	3,468	244	24%
Middle	10,551	401	40%
Upper	15,099	335	43%
Total	29,316	1,000	100%

DISTRIBUTION OF CONSUMER LOANS MADE IN 1996 BY APPLICANT INCOME			
Applicant Income	\$(000)	#	% of Total #
Low	548	151	4%
Moderate	7,005	1,131	28%
Middle	12,813	1,850	46%
Upper	8,324	875	22%
TOTAL	28,690	4,007	100%

ANBT makes a good penetration of the low and moderate income areas with 32% of total consumer loans being made to applicants in the low and moderate income category. Management is flexible in their underwriting criteria on consumer and home mortgage loans to low and moderate income families. For example, ANBT considers rent and utility records in the absence of credit history. ANBT has an excellent record of lending to small businesses. As the following table shows, 98% of new loans sampled for a one year period were to businesses with revenues less than one million dollars.

DISTRIBUTION OF SMALL BUSINESS LOANS BY REVENUES - 1996			
REVENUES	#	\$(000)	% of Total #
\$1 million or less	1,254	51,356	98%
Excess of \$1 million	13	17,660	2%
TOTAL	1,267	69,016	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

ANBT does an excellent job of penetrating all geographic areas of the assessment area. The statistics for the following tables were derived from the HMDA Performance Trend Report compiled by the Attus Group for ANBT. The reports show the bank is maintaining an excellent degree of penetration for all geographic areas of their assessment area for residential, consumer, and small business loans.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL MORTGAGE LOANS			
Income Characteristics of Assessment Areas	1996		
	\$(000)	#	% of Total #
Low	197	20	2%
Moderate	3,468	244	24%
Middle	10,551	401	40%
Upper	15,099	335	34%
TOTAL	29,316	1,000	100%

GEOGRAPHIC DISTRIBUTION OF CONSUMER AND SMALL BUSINESS LOANS MADE IN 1996			
Income Characteristics of Assessment Area	\$(000)	#	% of Total #
<i>Consumer Loans</i>			
Low	548	151	4%
Moderate	7,005	1,131	28%
Middle	12,813	1,850	46%
Upper	8,321	875	22%
TOTAL	28,691	4,007	100%
<i>Small Business Loans</i>			
Low	5,886	80	6%
Moderate	10,275	291	23%
Middle	23,102	539	43%
Upper	12,093	344	28%
TOTAL	51,356	1,254	100%

FAIR LENDING ANALYSIS

No violations of the substantive provisions of the antidiscrimination laws and regulations (Equal Credit Opportunity Act or Fair Housing Act) were identified. ANBT's fair lending policies, procedures, training and internal assessment efforts have been effective in assisting lenders in these issues. The analysis we performed did not disclose any discriminatory treatment or illegal practices on the prohibited basis of the applicant's sex or marital status.